

# IN HAWAII

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## Spectacular Case of Ronald Rewald



**GOING TO COURT**—Ronald Rewald is flanked by his attorneys, Michael Levine, right, and Brian Tamanaha, as they head for court for a recent hearing. —Star-Bulletin Photo by Dean Sasaki

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# ISO-11-1165 The Rise, Fall of Ronald Rewald

## More Than 400 Investors Gave His Company \$22 Million

By Charles Memminger  
Star-Bulletin Writer

The letter from Ronald Rewald's public relations man ended with what would turn out to be an understatement. It also would turn out to be quite prophetic.

"Thank you for your interest in Bishop, Baldwin, Rewald, Dillingham & Wong. I'm sure you'll find Ron Rewald personable and a pleasant interviewee, and I'm certain you'll find the story of BBRD&W fascinating grist for a feature article."

The letter to the Star-Bulletin from Elliot Pulham was dated June 23, 1983.

The interview would never take place. The summer heat was rising steadily for Ronald Rewald and the last thing he wanted to do was talk to a news reporter. An IRS investigation, which Rewald thought he had stopped, had resumed.

He had written a desperate letter in January 1983 to Jack Rardin, then the CIA bureau chief, asking that the IRS investigation be stopped.

"Current delicate situation threatens the security of all sub-

*The trial of Ronald R. Rewald on charges of mail fraud, securities fraud, tax evasion and perjury begins today in federal court with U.S. District Judge Harold Fong presiding. It is expected to run up to three months. This article provides the background for one of the most publicized cases in Hawaii history.*

sidary companies, as well as Bishop, Baldwin, Rewald, Dillingham & Wong and myself," Rewald wrote.

"This situation has been festering for four weeks . . . Unless receive direct Washington assistance soonest, believe that security flap with IRS is inevitable," he wrote.

TEN DAYS later, the IRS probe was stopped, according to a letter from Rewald's attorney, Dana Smith, to IRS criminal investigator Joseph Champagne.

For the next four months, it was business as usual for Rewald and company. Hundreds of thousands of dollars continued to pour in from investors.

But even more was being

spent for Rewald's extravagant lifestyle and for company overhead, court records show.

Thousands went to pay the leases and mortgage for his house and two ranches. Thousands went to pay for his polo ponies. A hundred a week went to a relative. There was a \$1,000 donation to the Boy Scouts. A hundred dollars to Junior Achievement.

A \$2,000 donation for Lt. Gov. John Waihee's political campaign organization. There were flowers and fruit baskets. Horse shoes and life insurance. Trips and salaries and champagne for friends.

The money — up to a quarter million a month — poured out. From the outside, BBRD&W

looked like a thriving international enterprise. Rewald looked like an incredibly rich and confident businessman.

Even Rewald's public relations firm was sure the company was rock solid.

BUT REWALD knew the IRS investigation had resumed. As the end of July neared, the IRS's Champagne turned up the heat. On July 28, 1983 he filed a petition in federal court to enforce an IRS summons. He wanted to see company books.

The news media also pressed company officials with embarrassing questions. A state regulatory agency wanted Rewald to come in and answer some questions about his company. The Securities and Exchange Commission was questioning Rewald's method of attracting investments.

Rewald could see that there would be no help for him this time. As far as he was concerned, he had reached the end of the line.

On July 28, 1983, Ronald R. Rewald, the affable businessman

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who had been able to convince some 400 people to invest \$22 million in his company, checked into the Sheraton Waikiki Hotel and cut his wrist.

In his suicide note to his wife, Rewald wrote in shaky script, "I started out working for our country and was abandoned when others feared for their jobs. It never dawned on me that I would be left alone and unprotected."

### "Winterdog"

If Rewald had died in the Waikiki hotel room, Hawaii residents probably would have been witness to an intriguing, yet short-lived run of news stories. Investigators would have gone into Rewald's plush Grosvenor Center offices and found a jumble of records.

Before long, they would have noticed that some of the records were missing. And it wouldn't be long before they discovered that the money was missing. The millions of dollars that investors had put into Rewald's company were gone.

Outraged investors would have had no one on whom to vent their anger. There would have been some questions about the CIA's connection to the company, but with certain documents sealed by the courts on national security grounds, no one would ever know the extent of involvement.

But Rewald survived.

He was found semiconscious against a tub in the hotel bathroom and taken to Queen's Hospital. Investors had someone to blame and island residents have been witness to one of the most heavily covered stories in the state's history.

As the public relations man predicted, the Rewald story was filled with "fascinating grist."

BECAUSE REWALD survived, there were hundreds of questions to be answered. Who was this mysterious man and just what exactly did his company do? More importantly, where did the money go?

Law enforcement agencies moved quickly against Rewald and the courts moved quickly against what was left of BBRD&W.

The state charged Rewald with two counts of theft and locked him in prison on \$10 million bail. The federal bankruptcy court froze all of his personal assets and declared his company bankrupt.

Within days, bankruptcy trustee Thomas Hayes broke the bad news to investors and the court: At least \$17 million had been invested in the company and it all was spent. It went, Hayes said, to pay for Rewald's expensive lifestyle and to create a healthy corporate appearance.

In reality, Hayes said, the company was a sham. There were no assets and there had been no substantial investments.

U.S. Judge Martin Pence labeled the company a Ponzi scheme, in which new money was brought in to pay fictitious interest to earlier investors.

All the money investors entrusted to Rewald went into a "poi bowl" account in Hawaii National Bank. From that bowl Rewald frequently dipped, not with two fingers, but with both hands.

REWALD, LOCKED away at the Oahu Community Correctional Center, was unable to defend himself in public. Still suffering from the depression that had driven him to attempt to take his life, Rewald brooded. But as his health returned, his confidence grew and Rewald plotted his defense.

In a conversation with his attorney, Robert Smith, Rewald described a side of himself and his company that few knew. He was not the mild-mannered businessman who had stolen from widows. He was "Winterdog," a CIA agent with a long history of association with the agency. "Winterdog" was a code name given to him by the agency long ago, Rewald has said.

He spoke of secret arms deals and clandestine meetings and stealing secret plans from foreign countries.

The contents of the confidential attorney-client conversation fell into the hands of John Kelly, a self-proclaimed CIA specialist, freelance news researcher and editor of a little-known publication called "Counterspy Magazine."

Kelly also obtained a number of other documents that had been in Rewald's files and was instrumental in disseminating them to other news organizations. He worked for the British Broadcasting Corp. on a documentary which described Rewald as a "spy left out in the cold."

He also provided information to a Wall Street Journal reporter and showed his documents to other national news organizations.

SOON, THE public was saturated with the CIA side of the Rewald saga. But disclosures about the CIA raised many questions. Much of the information about Rewald's connection with the agency came from his own files and was obviously self-serving.

One letter displayed by some news organizations to show CIA involvement was addressed to CIA head William Casey and stamped confidential and heavily "blacked out." What the public was not told is that the letter actually was written by Rewald's own attorney after Rewald had been charged with fraud.

Soon the attention in the case shifted from possible investment fraud to whether the CIA was heavily involved in BBRD&W as Rewald and Kelly claimed.

### A Sporting Chance

Rewald was born in Milwaukee in 1942 and grew up in heartland America. He was somewhat athletic, having played football in high school and also, he says, in the NFL. Although he had signed contracts with two or three NFL teams, he was not listed on any players roster.

He married his wife, Nancy, when he was 18 and eventually they had five children. In the 1960s, he attended a two-year college and became one of a number of students who, on behalf of the CIA, attempted to infiltrate student groups who were active in protests.

In an affidavit, Rewald claims that he was paid \$120 a week by the CIA.

After his first child was born, Rewald decided to end his student CIA job and get "regular work close to home," according to the affidavit.

It was natural for someone attracted to athletics to get into the sporting goods business. By 1974, College Athletic Inc. was going well and Rewald had big plans.

In a Wisconsin newspaper article, he described plans to sell sporting goods franchises throughout the country, including in Hawaii, and for building a sports complex.

BUT SELLING franchises proved to be tricky. In March 1976 he was charged with illegally selling a franchise and eventually pleaded no contest to a lesser charge of petty theft. His first experience at high-finance failed and he filed for bankruptcy in the summer of 1976.

After his sporting goods stores failed, he formed a company called CMI, a financial consulting firm.

Rewald, who registered with the Security and Exchange Commission in 1976 as an investment advisor, used the company to solicit investments from friends, family members and others.

Rewald moved CMI to Hawaii a year later.

On a tennis court he met a real estate man, Sunlin "Sunny" Wong. Wong eventually helped Rewald buy his first house in Hawaii. Sometime later, Rewald approached Wong about forming a business together. He already had moved Wong's real estate business into the CMI offices in the Amfac Building at no cost to Wong.

Rewald said the purpose of the new company would be consulting work: Rewald would do management and investment consulting and Wong would do real estate consulting.

ACCORDING to court records, Wong was reluctant, saying that he didn't know anything about consulting. But Rewald convinced Wong to become his partner.

After coming to Hawaii, Rewald also introduced himself to Eugene Welch, the CIA bureau chief.

The CIA office was set up to make contact with people like Rewald: people who felt they might have information useful to the agency. Anyone could walk off the street and "file reports" with the CIA office about their foreign travels.

Whether the CIA actually used them was another matter.

In Rewald, the CIA here found a patriot with a track record of cooperation. It is unknown if background checks on Rewald were made other than to confirm his previous CIA involvement.

But if Rewald was successful in business here, the agency might have a use for him.

Rewald claims that in 1978 Welch asked him to set up two cover operations for the CIA which would be backdrops for agents in the field.

reopened training with Enterprises and Canadian Far East Trading, which existed on paper only in the CMI offices, would be told that two agents did indeed work for one company or the other. The two companies would be a place where mail could be sent and information forwarded to the two agents.

IN FALL 1978, a new company emerged in Hawaii as a world-

wide financial institution with roots allegedly going back to the state's territorial days. Rewald claims in his affidavit that Welch suggested the firm be set up and that they use names "synonymous with Hawaii."

"Sunny and I considered some names at the direction of the station chief such as Castle, Cooke, Cassidy . . . and finally we came up with a combination called Bishop, Baldwin, Rewald, Dillingham & Wong."

### The Rise of BBRD&W

Rewald's company was never intended to operate as a Hawaii company, Rewald says in his affidavit.

"We would have been stupid to develop a name like Bishop, Baldwin, Rewald, Dillingham & Wong if our purpose was to do business in Hawaii," he says.

In fact, BBRD&W really didn't do much business in Hawaii. But bankruptcy administrator Hayes contends it was because Rewald was too busy spending investors' money to actually do business.

According to court records, shortly after BBRD&W was incorporated, and unknown to Wong, Rewald began soliciting money from investors, mostly from people he knew in Wisconsin.

Rewald had several sporting goods stores in Hawaii but all were losing money, as they had in Wisconsin. To keep the stores going, Rewald sold stock and attracted investors, according to court records.

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But the financial problems surrounding the stores didn't keep Rewald from making big plans. In summer 1979, he convinced Wong that their company should be moved to more expensive offices in Grosvenor Center.

Wong had been working almost exclusively as the principal broker in Sunny Wong Realty and didn't think he could afford the move. But Rewald, according to records, assured Wong that he would not have to pay any additional overhead.

Wong continued his real estate business and had little to do with the running of BBRD&W although he was listed as president.

MEANWHILE, Rewald continued to attract investors with claims that BBRD&W was one of the oldest and largest privately held investment companies in the state. He said the company was involved in only high-return, no-risk investments and that the average investor was worth \$4 million.

Gaudy, overstated brochures were distributed offering investors numerous financial services.

It was strange activity for someone who would later claim BBRD&W was a CIA front that never was intended to operate in Hawaii.

Rewald continued to build the company's facade. He hired numerous "consultants": lawyers, accountants and real estate people. They were paid well but did little work.

If Rewald actually wanted the company to keep a low profile, he went about it in a strange way.

He hired a public relations firm which began sending out financial reports to the news media. He bought the Hawaii Polo Club and began hobnobbing with the island's elite and some of the world's wealthiest jet-setters.

All the while, he continued to try to build up his importance to the local CIA office here. One addition to his staff that he thought would help was the hiring of Sue Wilson.

WILSON WAS brought into the company by Wong, who was impressed by the fact that she used to work for the National Security Agency, a large intelligence-gathering agency. Rewald was impressed, too.

"Wilson was brought in by Sunny Wong for her intelligence background in the hopes that we might attract more Agency work," Rewald says in his affidavit.

Wilson's "intelligence background" actually involved working as a secretary in NSA beginning when she was 18.

After quitting that job, she bounced around, holding a number of odd jobs. She distributed Amway products and Tupperware, she was a hotel secretary, a "Kelly girl" and finally a secretary for a realty company.

### The Fall

What actually was going on inside of BBRD&W from 1980 to 1983?

According to Rewald, the company was a beehive of secret activity. Welch had moved on and been replaced at the CIA office by Jack Kindschi. When Kindschi retired, he joined the Rewald firm as one of the many consultants.

Rewald kept in contact with the new bureau chief, Jack Rardin.

Some consultants, like retired Air Force pilot Ned Avery were sent to various parts of the world purportedly to take part in clandestine arms deals.

Rewald saw his role for the CIA as an undercover business leader who would travel around the world making contact with "wealthy and well-placed businessmen and government officials."

He says the CIA supplied him with fake diplomas from Marquette University — which he later turned into metal plaques — to add to his credibility.

It is curious, if true, that the U.S. government would use someone with Rewald's lack of financial expertise to try to gather information about the stability of foreign banks.

FOR INSTANCE, Rewald, who never graduated from college and has no specific background in banking, claims he was sent by the CIA to Argentina in 1982, just prior to the Falklands Islands war, to study banking and economic conditions.

Rewald's purported goals were identical to those reported in a newspaper wire story about an earlier trip to Argentina by Chase Manhattan Bank Chairman David Rockefeller.

Rewald claims that from 1980 to 1982, the CIA began using the investment account, the so-called "poi bowl" bank account, to place funds which were then to be used in foreign operations.

The account also was used to shelter money of highly placed foreign diplomats, Rewald claims in his affidavit.

He lists 21 names used to hide funds for foreign clients, including Sue Wilson and two of his security guards.

He also lists Charles Richardson, a CIA agent who did use BBRD&W for cover. But in June 1983, with the IRS probe progressing, Richardson, also known as Richard Cavanaugh, wrote a letter to Rewald explaining why he had to withdraw his money from Rewald's company because of a possible "conflict of interest."

RICHARDSON later was fired from the agency for helping recruit five other CIA employees to invest money with Rewald.

Together, they lost up to \$300,000.

Review of all of the accounts Rewald listed shows no large amounts of unexplained money coming into or leaving the accounts.

Government attorneys have another explanation for what was happening in the company around this time.

In court records, they charge that Rewald was luring more investors into giving him money by promising high interest and planting glowing articles in the news media about his company.

To encourage his consultants to seek additional money from prospective clients, he paid many of them finder's fees and commissions.

By early 1983, the company not only had attracted the attention of the IRS but also of the SEC and the Federal Deposit Insurance Corporation.

An attorney working for Rewald warned him that the investment savings account was a security being offered and sold in violation of federal laws, according to court records. Rewald was told by several of his attorneys that the account must be closed and that all of the money, including interest, had to be returned to investors. The closing date was set for Aug. 10, 1983.

BUT REWALD knew things had gone too far. There was not nearly enough money in the bank to pay off investors.

He continued to take in new money and pay commissions to his consultants, while assuring the SEC that such commissions, which are illegal, were not being paid.

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By the time the company collapsed, Rewald had taken in \$22 million from about 600 investors.

Of that money, about \$10 million was paid back to earlier investors. About \$8.5 million went to running the company and paying salaries. And about \$5.5 million, government attorneys claim, Rewald spent on himself.

According to an audit of all of the BBRD&W financial transactions, about \$230,000 went to Rewald's polo-related interests. Another \$280,000 went to the horses he owned. About \$1.4 million went to house and ranch expenses. Some \$660,000 was sunk into the sporting goods stores which never made money. And some \$2.3 million went for his personal expenses.

### The End, New Beginning

It was about 4 p.m. on July 30, 1983, when Marilyn Yee Liu, assistant manager of the Sheraton Waikiki Hotel opened the door to room 1632 and was met by a bloody sight. A man was crumpled on the bathroom floor against the tub.

She called for security people to meet her at the room. An ambulance was called.

According to a police report, two security guards tried to make Rewald more comfortable while the ambulance was on its way.

"I wish I were dead," Rewald told them.

"Stay with us," one of the security men said.

Neatly stacked on a round table by the hotel room window there were some credit cards, \$100 in cash, a gold wedding ring, a watch and an envelope addressed to Rewald's wife.

"I know how bad everything must look to all of you and everyone else," Rewald had written to his wife. "I want you to know I never did anything to hurt anyone. Someday I pray the truth will be known."

On Jun. 14, 1984, Sunlin "Sunny" Wong walked into a federal courtroom and pleaded guilty to mail and securities fraud.

The 36-year-old real estate man and president of BBRD&W admitted that the company had concocted a scheme to defraud investors out of \$22 million. He is serving a two-year sentence in a federal prison.

On Aug. 30, 1984, Rewald was indicted by a federal grand jury on a hundred counts of mail fraud, securities fraud, tax evasion and perjury.



# Large Cast of Characters Involved in Rewald Trial

By Charles Memminger  
Star-Bulletin Writer

It has been nearly a year since Ronald Rewald was indicted on charges of fraud, tax evasion and perjury. In that time, Rewald's attorneys and prosecutors have engaged in numerous legal skirmishes. Those watching the trial will be exposed to hundreds of names of witnesses, attorneys and court officials.

Here is a list of some of the key people who will be involved in the trial:

**Ronald R. Rewald:** Charged with defrauding investors of millions of dollars. His defense is that he CIA set up and ran the company. Jurors will have to decide if the CIA did have a major involvement in the company and what effect that would have on Rewald's alleged spending of investors' money.

**Michael Levine:** Federal public defender, heading Rewald's legal defense team.

**Brian Tamanaha:** Deputy federal public defender hired to work on the Rewald case exclusively.

**Wayne Parsons:** Private attorney hired to assist in Rewald's defense.

**John Peyton:** Former CIA attorney who was transferred to Florida to handle federal drug prosecutions. He was hired by U.S. Attorney Daniel Bent to work on a drug enforcement unit here but was put on the Rewald case because of his background.

**David Katz:** A special attorney from the U.S. Department of Justice assigned to the Rewald prosecution team.

**Theodore Greenberg:** A special assistant U.S. attorney on the prosecution team. He prosecuted the

case of former CIA agent Edwin Wilson.

**Jeffrey Setness:** Special attorney, U.S. Department of Justice, on prosecution team.

**U.S. Judge Harold Fong:** Chief judge of the federal district court in Hawaii who will preside over the Rewald trial.

**Thomas Hayes:** Appointed trustee and later administrator of Bishop, Baldwin, Rewald, Dillingham & Wong after it was forced into bankruptcy.

**Sunlin "Sunny" Wong:** Former president of BBRD&W. He is serving a two-year sentence after pleading guilty to mail and securities fraud in connection with the company's operation.

**Jack Kindschi:** Former CIA bureau chief who, upon retirement, went to work for Rewald's company. Rewald claims Kindschi conducted secret agency operations through BBRD&W.

**Ned Avary:** A BBRD&W consultant who Rewald

claims took part in clandestine arms deals. Avary denies it.

**Arnold Braswell:** Air Force general, former head of Pacific Air Forces, who was to go to work as a Rewald consultant upon his retirement. He lost more than \$100,000 when company collapsed. Rewald claims Braswell's account was used as a conduit for CIA money.

**Richard Cavannaugh:** Code name for CIA agent Charles Richardson who used BBRD&W as a front. He was later fired for convincing other CIA employees to invest money in the company.

**Robert Smith:** Rewald's former civil attorney who filed a multimillion dollar suit for Rewald against the CIA.

**Eugene Welch:** Former CIA bureau chief who Rewald says directed him to set up BBRD&W and other CIA "fronts."